

Press release on the business development of the MAHLE Group in 2010

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1. Business environment/economic situation in the automotive industry

Global economy developing dynamically overall

In the course of the 2010 business year, the economy as a whole underwent a marked recovery. Recent projections by the International Monetary Fund indicate global economic growth of five percent. This sharp increase was triggered by the resurgence in industrial production as well as increased capital expenditure on operational activities.

The German economy—primarily driven by exports—took on the role of Europe's economic engine (+3.6 percent). As a result of diverging development, the gross domestic product (GDP) of the euro zone experienced comparably little growth—just 1.8 percent—in the past year. The economic upturn in the USA at the beginning of 2010 weakened toward the midpoint of the year. The production level remained below the U.S. government's targets, with a growth rate of 2.8 percent. This is primarily due to the sustained high level of unemployment and the resulting adverse impact on U.S. consumer behavior. In South America, Brazil in particular succeeded in maintaining the high rate of growth achieved in previous years. The sustainably high level of domestic demand and extensive corporate investment formed the basis for this growth. An almost precipitous rise in economic output was also observed in most of the emerging markets of Asia. Once again, China in particular made a significant contribution to the positive development of the global economy.

Global vehicle production noticeably boosted by favorable overall economic conditions

In 2010, the global production of passenger cars and light commercial vehicles reached a volume of 72.7 million produced units. This is a new record figure, resulting from a rise of 26.3 percent in comparison with the previous year (57.5 million units). With measures being taken to address investment backlogs, demand for medium- and heavy-duty commercial vehicles also increased. Worldwide production grew by more than a third from 2.3 to 3.3 million units.

Europe noticeably affected by positive global dynamics

Passenger car production in Europe rose by 15.4 percent from 16.4 to 18.9 million units. With an increase of around 24 percent, vehicle production grew by a larger percentage in Eastern Europe than in Western Europe.

Commercial vehicle production in Europe increased by around 38 percent as a result of the very low starting figure in many countries. Production increased in almost all European countries.

Dynamic development in the NAFTA region

The production of passenger cars in the NAFTA region was also relatively strong, growing by 39 percent in comparison with the previous year to reach 11.9 million units. This was primarily due to the rapid recovery of the American manufacturers Chrysler, Ford, and General Motors. Nevertheless, the North American production volume still remained significantly below the values of around 16 to 17 million vehicles recorded before the outbreak of the economic crisis.

Development on the commercial vehicle market was on a more moderate scale. Despite this, the number of medium-weight and heavy commercial vehicles manufactured rose by almost 22 percent.

Moderate increase in South America

South American production of passenger cars and light commercial vehicles increased only moderately from 3.7 to 4.2 million units. However, only very small crisis-related declines had to be reversed in this region.

In contrast, the South America region, which had less potential to make up ground in the commercial vehicles segment than the Europe and NAFTA regions, contributed only a small proportion to the worldwide production growth.

Sustained dynamic growth continued in Asia

The precipitous growth of the Asian markets, which began in the previous year, continued unabated in 2010. The market for passenger

cars and light commercial vehicles grew by around a third to 35.6 million units. In 2010, almost every second passenger car was produced in Asia. Once again, this expansion was largely driven by production in China, which further improved its position as the world's largest automobile manufacturer with 15.3 million produced units. 2010 was also a successful year for the Indian vehicle producers, whose production figures increased by almost a third. The combined production of the two countries is now approaching the vehicle production level for the whole of Europe. Japanese production also rose considerably, with the government's subsidy program playing a decisive role.

In most Asian countries, the commercial vehicle production figures remained at a constantly high level. The stable demand in China led to growth of 39 percent, bringing its production figure to 1.4 million units. Manufacturers operating in China now produce almost half of all medium- and heavy-duty commercial vehicles worldwide. The Japanese manufacturers achieved an increase of more than 70 percent in comparison with the previous year's low figures. This was partly due to one-time effects triggered by purchase incentive programs. Around two thirds of all commercial vehicles produced worldwide already come from Asia.

2. Business development of the MAHLE Group in 2010

The unexpectedly fast recovery of the global economy and thus of the automotive industry led to a premature resurgence in sales and profit key figures for the MAHLE Group, to precrisis levels. While the first quarter was still characterized by restraint in terms of order intake and sales, sales and profit levels were consistently improved over the course of the year. The MAHLE Group achieved Group sales of EUR 5,260.6 million for the 2010 business year, primarily as a result of a strong second half-year. This is the highest sales figure in MAHLE's history. In comparison with the previous year, which was heavily affected by the crisis, this corresponds to a rise of over 36 percent. This should be considered in the context of the rise of around 26 percent in the worldwide production figures for passenger cars and light commercial vehicles. MAHLE thus achieved a V-shaped recovery in its sales and profit situation, which was not considered realistic even a year ago.

While these figures are pleasing at Group level, they should be interpreted differently at a regional level. Taking 2008 as the basis for comparison (as—apart from the last few months—it was still largely unaffected by the financial and economic crisis) reveals significant structural changes in the composition of Group sales. While 54 percent of sales were achieved in Europe in the 2008 business year, this proportion fell to 48 percent in 2010. In absolute terms, this means that the European sales declined from EUR 2,696 million to EUR 2,509 million over a two-year period. The proportion of Group sales generated in the Asia and South America regions rose from 29 to 35 percent in the same period. The North America region remains almost unchanged with a contribution to sales of around 17 percent.

These figures show very clearly where the automotive industry's growth markets are, and that the MAHLE Group invested proactively in these markets at an early stage. Today, the MAHLE Group is able to participate fully in these markets thanks to a further increase in their contribution to sales and profit.

Return to a significantly positive net income for the year

Because of the healthy market conditions and the MAHLE Group's internationally balanced and technologically leading position, Group sales increased to EUR 5,260.6 million. All business units and profit centers contributed to this sales growth.

The high utilization of capacities resulted in a considerable decrease—of 5.1 percent—in the cost of sales ratio in comparison with the previous year. This significantly improved ratio reflects, in particular, the results of the consistently pursued restructuring and productivity improvement measures. The selling, administrative, and development expenses increased by a lower percentage than sales in comparison with the previous year; as a result, the combined ratio fell from 19.2 percent to 16.8 percent. Overall, this meant that a significant improvement was recorded in operating profit, which, together with an improved financial result, led to a positive result from ordinary activities amounting to EUR 251.5 million.

Operating cash flow more than doubled

In the 2010 business year, the MAHLE Group was able to finance its cash requirements for capital expenditure on fixed and financial assets from self-generated funds. In particular, this means: the business expansion led to a considerable increase in working capital. However, as a result of the positive profit situation, the cash flow from ongoing business activity increased overall by EUR 170.1 million to EUR 311.4 million. The cash flow from capital expenditure on property, plant, and equipment and acquisition activities, amounting to EUR –300.1 million, was primarily characterized by the increased capital expenditure on fixed assets in comparison with the previous year, the acquisition of a minority share of 19.9 percent in Behr GmbH & Co. KG, and the majority acquisition of the industrial activities of the Behr Group, now MAHLE Behr Industry. An increase in financial loans and the other developments already outlined led to an increase of EUR 93.6 million in the cash and cash equivalents; liquidity thus reached EUR 354.7 million as at the reference date.

V-shaped recovery in profit indicators

The profit indicators EBITDA, EBIT (operating profit before interest and taxes), and result from ordinary business activities for the MAHLE Group are showing a V-shaped recovery, which was not considered realistic even a year ago. While the financial and economic crisis that began abruptly in September/October had a lasting adverse impact on figures in 2008, and considerable losses were recorded in 2009 as a result of the massive underutilization of capacities, the profit indicators in 2010 almost reached the precrisis level of 2007, despite a slow start to the growth phase. However, we did not quite reach the target range for our operating return on sales, which had a lower value of five percent, as a result of some operational weaknesses at certain plants. We are currently devoting considerable resources to further improving our productivity and to stabilizing our processes on a long-term basis, despite the volatile levels of demand from our customers.

Balance sheet total reflects considerable increase in business volume

The considerable increase in the MAHLE Group's business volume was reflected in a noticeable rise in the balance sheet total. It increased by EUR 719.1 million to EUR 4,186.6 million in the business year.

The slight increase in fixed assets (EUR +72.3 million) resulted primarily from the rise in financial assets (EUR +67.2 million) connected with the acquisition of the minority share of 19.9 percent in Behr GmbH & Co. KG. In addition, an increase in fixed assets more than compensated for a slight reduction in the intangible assets, which was exclusively due to regular depreciation. The former resulted primarily from the effects of first consolidation. This relates mainly to the addition of the industrial activities of the Behr Group to the consolidation group, which was completed on July 1, 2010, as a result of the majority acquisition. Nevertheless, in 2010, depreciation once again exceeded capital expenditure on fixed assets, although this was offset in the balance sheet by an increase in the fixed assets presented in euro as a result of currency translation effects.

On the assets side, an increase of EUR 719.1 million in the balance sheet total is primarily due to the rise in current assets. Besides an

increase in inventories (EUR +174.1 million), this mainly included sales-related growth in trade receivables (EUR +213.5 million) and significantly higher available cash (EUR +93.6 million). As a result of the measures to optimize warehousing and supplier management, however, the rise in inventories (+30.2 percent) remained below business expansion (+36.1 percent). Liquidity was increased in preparation for the further unilateral capital increase at Behr GmbH & Co. KG, which was carried out in January 2011. MAHLE's share in the Behr Group thus increased to 36.85 percent.

The liabilities side of the MAHLE Group's balance sheet is characterized by an improved equity ratio of 35 percent, which results from profitable growth. Equity rose by EUR 307.2 million in comparison with the previous year's value to EUR 1,464.1 million as at the balance sheet date. Equity rose, primarily because the positive net income for the year was retained. To a lesser extent, foreign currency exchange rate effects also contributed to this increase, as a result of the strong foreign currencies. Without the deliberate liquidity provision at year-end in order to increase MAHLE's share in the Behr Group, the equity ratio would have been one percentage point higher.

Increased accruals for taxes, accruals in the area of human resources, as well as accruals for other measures, are primarily responsible for the increase in accruals (EUR +137.1 million). In contrast, accruals for pensions remained almost at the previous year's level. The growth in trade payables (EUR +130.7 million) and the increase in liabilities to banks (EUR +146.4 million) had a significant impact on the Group's financing.

Investments/depreciation

Although the planned level was lower, the capital expenditure on fixed assets such as machinery, equipment, and buildings had to be increased to around EUR 200 million in the course of the business year because of the unexpectedly strong market demand. Nevertheless, the level of new investments was kept below the depreciation level, partly as a result of the high level of capital expenditure in 2007 and 2008, which was largely for the purpose of expanding capacities. Because of

the sustained high level of capital expenditure, the depreciation on property, plant, and equipment continued to rise steadily as it had done in previous years, reaching a value of more than EUR 280 million in the 2010 business year. For the current business year, MAHLE plans to balance new investments and depreciation at a level of around EUR 300 million.

Headcount development

As at the end of 2010, the number of employees in the MAHLE Group was 47,457. This represents an increase of 3,968 employees or 9.1 percent in comparison with the figure of 43,489 at the end of 2009, following a decline in headcount because of restructuring and lower order levels. However, the current figure falls around 4,000 short of the peak of 51,383 employees at the end of the third quarter of 2008, although the acquisition-adjusted sales in 2010 reached the precrisis level once again. This clearly demonstrates the increase in productivity achieved as a result of the restructuring measures. In 2010, the restructuring and adjustment measures initiated from the fourth quarter of 2008 were continued or, where possible, concluded.

As a result of the economic recovery during the course of 2010 and the effectiveness of the implemented restructuring measures (adjustments in staff numbers, the use of flexible working time schemes including short-time work, the reduction of variable compensation), the personnel costs ratio fell considerably in 2010 in comparison with 2009 and has now almost reached the precrisis level of 2007.

In line with the differing development of sales in the regions, the increase in the number of employees in comparison with December 2009 was particularly pronounced in South America (+11.6%), the Asia/Pacific region (+7.1%), and North America including Mexico (+27.9%). The staffing level also increased in Europe, by 677 employees (+3.5%), but this was due to the first-time consolidation of MAHLE Behr Industry from July 1, 2010.

3. Development of the MAHLE Group

The most significant milestones of the MAHLE Group's development in the 2010 business year were undoubtedly the majority acquisition of the industrial activities of the Behr Group and the acquisition of a participation in the Behr Automotive Group in several stages.

February 2010

MAHLE takes over majority share in Behr Industry

The Supervisory Boards of MAHLE GmbH and Behr GmbH & Co. KG agree upon the acquisition of 60 percent of the shares in Behr Industry GmbH & Co. KG by the MAHLE Group.

In 2009, the Industry division of the Behr Group achieved sales of around EUR 178 million with approximately 950 employees at five locations in Germany and the United States. Main products include cooling and air-conditioning systems for railway and special vehicles, buses, ships, construction and agricultural machinery, the aerospace industry, and stationary large engines for power generation. Behr Industry now trades under the name MAHLE Behr Industry.

Following the final approval of the majority acquisition by the antitrust authorities, MAHLE combines its existing industrial activities for large engines and industrial filtration with the activities of MAHLE Behr Industry to form the new Industry business unit, with a planned sales volume of EUR 500 million for 2011. In the long term, organic growth in new industrial application areas, as well as acquisition steps, should allow the business unit to achieve a business volume in excess of EUR 1 billion.

July 2010

MAHLE and Behr sign share agreement

MAHLE and Behr agree that MAHLE will acquire shares in Behr GmbH & Co. KG (and thus in the entire Behr Group) in several stages.

The two first stages of the participation is covered by a unilateral capital increase by MAHLE. In the first stage (2010) MAHLE takes on 19.9 percent of shares; in the second stage, at the beginning of 2011, the participation is increased to 36.85 percent. The contract also provides that MAHLE can purchase additional shares from the current shareholders by exercising a call option from the beginning of 2013, and can thereby take over the majority of Behr. It also provides current Behr shareholders with the possibility of then selling their shares to MAHLE in several stages over a period of ten years.

MAHLE and Behr are able to use their systems know-how to develop and produce function- and cost-optimized systems environments such as exhaust gas recirculation modules, air intake modules with integrated indirect charge air coolers, HVAC modules with integrated cabin air filters, and liquid filtration modules with integrated cooling and heating functions for the global customer base.

The Behr product portfolio also gives MAHLE access to the strategically important future and growth area of efficient thermal management, in both automotive and industrial applications. In 2010, Behr operates in 12 countries with around 16,500 employees at over 30 development and production locations, achieving an EBIT of around EUR 100 million with sales of approximately EUR 3.3 billion.

The Behr activities are to be organizationally integrated into the MAHLE Group following the majority acquisition in 2013 and will be operated as a business unit with legal autonomy.

A cross-disciplinary, cross-functional global integration team is currently making preparations to unify the structures and processes and start making use of synergy potential to reduce costs. In the medium term,

the existing development and production locations are to be shared, while new locations will be established jointly in specific countries with growth potential.

MAHLE intends to actively continue operating all of Behr's existing business segments (power train thermal management and cabin air conditioning) and all Behr joint venture activities.

4. Outlook for the 2011 business year

For the coming business year, the International Monetary Fund forecasts further growth of 4.4 percent in the global economy, a smaller percentage than in the previous year.

The economic forces underlying the unexpectedly strong growth in the global economy during the past year will continue to have an effect in the coming year. Nevertheless, more moderate growth is forecast for world trade and it is also expected that the government demand incentives still in play during the previous period will not have a significant role over the next year. Risks for the coming business year will come primarily from the further development of the financial systems, which remain unstable. The high national debt of many western industrial nations, often pushed up by economic stimulus packages issued to deal with the crisis, represents a key problem.

The global automotive market for passenger cars and light commercial vehicles is likely to exhibit a stable growth trend in the coming year because of the positive overall economic environment. The forecast institute CSM predicts that worldwide passenger car production will reach a new peak in 2011, at 76.6 million units. In the coming year, slight growth is anticipated once again for the vehicle markets in Europe. The German producers in particular should benefit from the additional opportunities anticipated in export activities. On the North American market, further recovery trends are expected in the coming year; the anticipated production volume of 13.1 million passenger cars and light commercial vehicles will still be vastly inferior to the level of 15.1 million vehicles in 2007. Once again, the national economies in Asia will account for the majority of the global increase in the production of passenger cars and light commercial vehicles in 2011. On the largest individual market in China, significant growth rates in production are still regarded as a possibility, albeit considerably lower than in the past business year.

The worldwide production of medium- and heavy-duty commercial vehicles will benefit from a significant improvement in the market

environment, with growth of around five percent. The European manufacturers of medium-and heavy-duty commercial vehicles expect a production increase of around 26 percent. The forecast for the NAFTA region is even more optimistic; produced quantities are expected to grow by around 27 percent. The emissions standards applicable for the first time in 2010 and the existing investment backlog are seen as the most important variables influencing this growth. In contrast, because healthy development was recorded in the previous years, the growth rate of the Asian markets will be relatively low.

For the coming business year, the MAHLE Group expects a further rise in sales in all regional submarkets. Once again, the future-oriented markets in Asia and South America will be important for MAHLE. The MAHLE Group's good competitive position in these foreign markets will make it possible to achieve more rapid growth than the market as a whole. Overall, MAHLE expects sales to increase to more than EUR 5.5 billion in 2011 and, accordingly, expects to achieve a profit level above that of 2010.

The development of the MAHLE Group's revenue is assessed as positive. For the most part, the positive impact of the restructuring measures and capacity adjustments that extend into 2011 will be seen over the full year. Productivity increases should also create positive effects at many locations.

At the end of 2011, the joint venture Bosch Mahle Turbo Systems will begin series production of exhaust gas turbochargers for passenger car applications at the St. Michael ob Bleiburg (Carinthia, Austria) and Blaichach (Allgäu, Germany) locations. In 2010, the company was also able to announce its successful market entry in the area of exhaust gas turbochargers for commercial vehicle engines. Series production of exhaust gas turbochargers for commercial vehicle and off-highway engines will start in 2012/2013. Permanent supply contracts for series supply have now been concluded with three customers.

On February 28, 2011, the MAHLE Group acquired all still outstanding minority shares in the Mopisan Group. In January 2008, MAHLE

acquired 60 percent of the shares in the Turkish Mopisan Group, which primarily produces and sells OE-quality engine components for the free trade business, with plants in Izmir and Konya. In the 2010 business year, MAHLE Mopisan achieved annual sales of EUR 54.1 million.

On March 11, 2011, Japan was shaken by a very severe earthquake. The MAHLE plants suffered only minor damage, as these plants are not located in the region flooded by the ensuing tsunami. It is not yet possible to gauge the consequences of the problems at the Fukushima nuclear power plant. If these problems have far-reaching consequences for the development of Japan's national economy, this could adversely affect the development of sales and income for the Japanese subsidiaries.

It is currently expected that the Japanese passenger car industry will be unable to compensate for a production loss of around 500,000 vehicles. Supply problems for Japanese suppliers could also adversely affect the planned production quantities of European and American automobile manufacturers, resulting in negative consequences for MAHLE's production and therefore also for the development of revenue in countries and regions outside Japan.